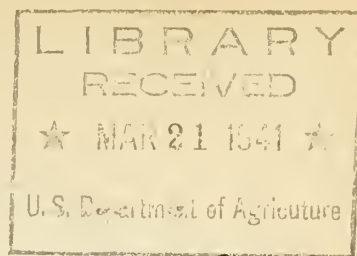


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THE Demand and Price SITUATION

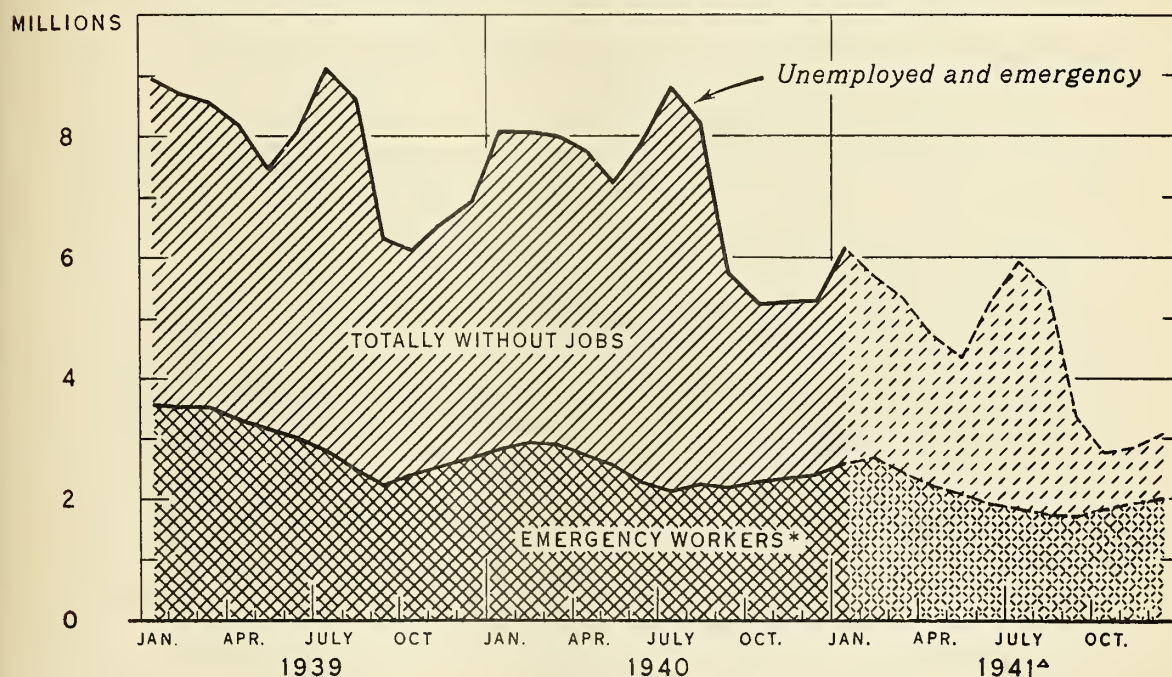
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.



MARCH 1941

UNEMPLOYMENT AND PUBLIC EMERGENCY EMPLOYMENT, UNITED STATES, 1939-41



*INCLUDES WPA, CCC, AND NYA OUT-OF-SCHOOL EMPLOYMENT ^PRELIMINARY INDICATIONS AFTER JANUARY

THE ESTIMATES OF UNEMPLOYMENT SHOWN IN THIS CHART USE MARCH 1940 SAMPLE CENSUS DATA AS A BENCH MARK AND MAKE ALLOWANCES ONLY FOR NORMAL CHANGES IN THE NUMBER OF AVAILABLE WORKERS. FINAL CENSUS DATA MAY NECESSITATE A CONSIDERABLE REVISION OF THE ESTIMATES OF UNEMPLOYMENT AT THE CENSUS DATE; ALSO, FOR LATER MONTHS UNEMPLOYMENT WILL BE AFFECTED BY CHANGES IN THE NUMBER OF AVAILABLE WORKERS. THERE MAY BE A CONSIDERABLY MORE THAN NORMAL INCREASE IN THE NUMBER OF AVAILABLE WORKERS BECAUSE OF THE DEFENSE AND MILITARY TRAINING PROGRAMS.

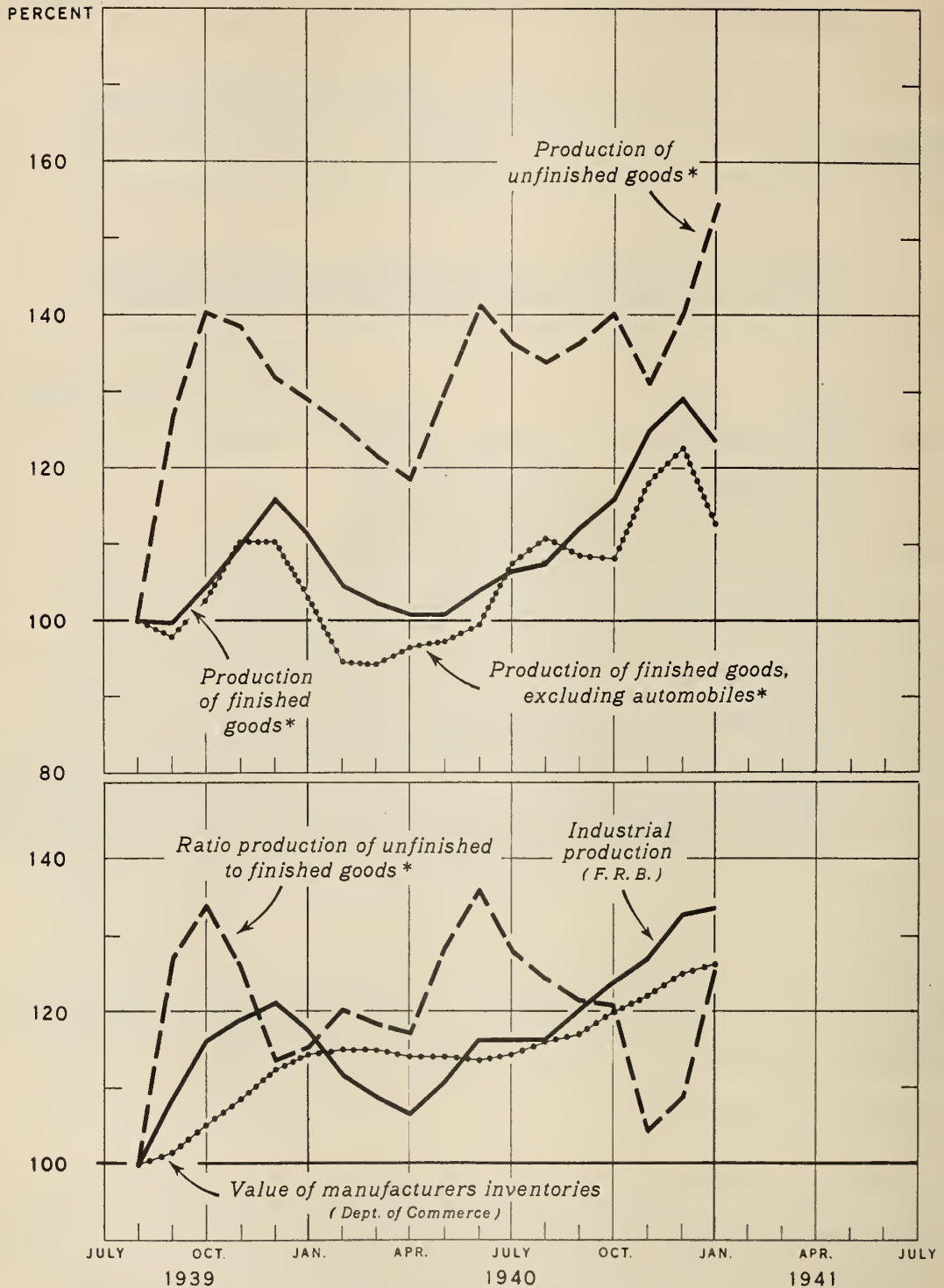
U. S. DEPARTMENT OF AGRICULTURE

NEG. 39010 BUREAU OF AGRICULTURAL ECONOMICS

THE DEMAND FOR FARM PRODUCTS HAS BEEN STRENGTHENED SINCE 1939 BY INCREASED EMPLOYMENT, BOTH CIVIL AND MILITARY. INCREASED EMPLOYMENT DOES NOT NECESSARILY LEAD TO INCREASED CONSUMPTION, BUT IT DOES RESULT IN A BETTER DEMAND FOR FARM PRODUCTS. HIGHER PRICES TEND TO FOLLOW UNLESS THE BETTER DEMAND IS OFFSET BY LARGER MARKETINGS.

INDUSTRIAL PRODUCTION AND INVENTORIES. UNITED STATES, AUGUST 1939 TO DATE

INDEX NUMBERS (AUGUST 1939=100)



*DERIVED LARGELY FROM FEDERAL RESERVE BOARD OF NEW YORK DATA

FIGURE I

SUMMARY

Additional improvement in consumer demand for farm products is indicated for the next few months, but gains from now on are likely to be more gradual than during the last half of 1940.

Growing direct effects of the defense program on industrial activity, employment, and consumer income are indicated by the rapid increases in defense expenditures. These rose from a daily average of 7 million dollars last September to 21 million in February. The addition to producers' inventories, resulting from forward buying in anticipation of later shortages or higher prices, was a far more important factor in the rise of manufacturing activity during the last half of 1940 than was the rise in defense spending. But recently increases in defense spending have become larger relative to increases in factory inventories, and in January were perhaps 70 percent as large. If defense expenditures are still increasing when inventory-building slows down, the effect of the latter on productive activity may not be noticeable, particularly if the change in inventory policy is gradual. This prospect favors further improvement later this year in consumer purchasing power and demand for farm products.

Exports of farm products reached a new low in January, but the possibility of supplying some British needs suggests an increase in food exports within a few months. This also may be favorable to somewhat larger exports of tobacco and possibly cotton.

Wholesale commodity prices are again moving upward, according to the Bureau of Labor Statistics daily index of 28 basic commodity prices, and now are the highest since the outbreak of war in Europe. Growing defense needs have necessitated priorities and export restrictions on additional commodities within the past month. Rising labor costs are an important factor pointing

to an advance in commodity prices. Further advances in the level of whole-sale prices are in prospect.

Prices received by farmers declined slightly in February and income from farm marketings probably was lower than in January even after allowing for the usual seasonal decline. Compared with February 1940, income from marketings probably was about the same, but Government payments were slightly smaller.

— March 17, 1941

The situation by commodities is as follows:

- Wheat:** During the past month domestic wheat prices have advanced about 8 cents per bushel to near the high point of the season to date. This rise was in part influenced by reports that loan rates on the new crop might be increased and by strength in securities. Prices are again high enough so that many producers can redeem their loan stocks.
- Cotton:** Prices of spots and futures gained from $2/3$ to 1 cent during the month ended March 14 to set new highs for the season. Trade reports attribute much of this rise to the possibility that legislation, which would tend to support cotton prices at a considerably higher level, might be enacted, and to the exceptionally favorable outlook for domestic mill activity. With a consumption of 794,000 bales of cotton in February, it now appears likely that the total for the season may reach or even exceed 9 million bales. Exports in February totaled 61,000 bales, to make the total for the 7 months 725,000 bales, 85 percent less than last season's 7-month total. On the basis of exports to date, the total for the season may not exceed 1 million bales. British mill activity has recently been drastically reduced, largely at the expense of domestic civilian consumption of textiles - which has been reduced to one-fifth of pre-war, compared with one-third in the preceding 6-month control period.
- Feed grains:** Supplies of all types of feed are considerably larger now than a year ago relative to the number of livestock to be fed. Sealing of 1940 corn to date is less than one-half that of 1939, and the total quantity of corn under seal or held by the Government on April 1 may be smaller than the corresponding quantity for April 1 last year.

Hogs: The number of hogs on farms January 1, 1941 was 12 percent smaller than a year earlier, and the number of hogs marketed during the last half of the 1940-41 marketing year (April-September) will be 10 to 15 percent smaller than in the corresponding period of 1939-40. Hog prices have followed a downward trend since mid-January, but they have remained well above a year earlier. Hog slaughter in February was 13 percent smaller than in February last year.

Beef cattle: Cattle numbers increased 2.9 million head during 1940 and are now above the 1934 peak in most States except in the Great Plains. The upward trend in numbers is expected to continue for 2 or 3 more years. Cattle prices have weakened materially in recent weeks, despite some reduction in marketings. Inspected cattle slaughter in February was not greatly different from that of a year earlier.

Lambs: The number of sheep and lambs on farms increased nearly 1 million head during 1940. Approximately half of the increase was in Texas. Lamb prices advanced during February but weakened a little in early March. Inspected slaughter of sheep and lambs in February was a little larger than a year earlier.

Wool: Contracting of the 1941 domestic wool clip has begun in the Western States at prices which are considerably higher than in the early months of the 1940 marketing season. With domestic demand and supply conditions favorable to the marketing of the new clip, farmers probably will receive a larger income from wool this year than last.

Dairy products: Butter prices have changed relatively little since mid-January, when the Surplus Marketing Administration started to purchase. Although butter prices in February and early March were decidedly lower than the peak in December, they were higher than in the same period of 1940. Some further seasonal decline in prices is in prospect before the peak of production is reached in June, but during the coming summer prices probably will average somewhat higher than in the summer of 1940. Improved consumer demand, a good storage demand, and the probability of larger exports of manufactured dairy products are expected to more than offset the effects of higher production on prices.

Poultry and eggs: Egg production this spring and coming summer is now expected to be about the same as a year earlier. Egg prices are about the same as a year ago, but prices received by farmers for eggs are expected to average higher this year than in 1940. Supplies of poultry for the first half of this year are smaller than a year earlier and farm prices for chickens and turkeys are 1 to 2 cents higher than a year ago.

- Fats, oils, and oilseeds: Lard prices, after declining during most of 1940, advanced sharply in January and February this year, chiefly as a result of reduced output. The general level of prices for fats and oils in February, at 68 percent of the 1924-29 average, was one point higher than a year earlier. Domestic demand for fats is now stronger than it was a year ago and is expected to improve further this year. But the effective foreign demand is weaker than at this time last year because of the blockade of most of continental Europe.
- Fruit: February auction prices of leading varieties of western apples averaged slightly higher than those of a year earlier, despite the fact that cold storage holdings of apples were considerably larger this year.
- Potatoes: Marketings of potatoes continue at about a normal rate, and market prices have shown little change in recent weeks. Present prospects indicate that supplies during the spring months will be larger than a year earlier.
- Truck crops: Winter truck crop production and marketings have been curtailed by unfavorable weather, and market prices have held to a relatively high level in recent weeks. Larger acreages have been planted, however, and, if the weather improves, market supplies will increase rapidly.

DOMESTIC DEMAND

Conditions point to additional improvement in consumer demand for farm products during the next several months, but gains from now on are likely to be more gradual than during the last half of 1940. Industrial activity, employment, and consumer incomes have risen sharply during the past year, and further rise is expected during the last half of the year as new defense plants come into production, but the increase in 1941 probably will not be so marked as the gain in 1940.

Industrial production apparently rose only about the usual seasonal amount in February and may continue to move about in line with the usual seasonal movement during the next month or two. This slowing up in the industrial upswing is due to the attainment last fall of near capacity rates of operation in several important industries. Subsequent changes in index numbers of industrial production have been more a result of seasonal adjustments than of actual changes in plant output.

The backlog of unfilled orders now is so large as to prevent any marked slackening in output during the next few months almost regardless of possible unfavorable developments in the international situation. Manufacturers in many important lines of activity, including textiles, steel, and machinery, have sufficient orders on their books to maintain near capacity operations for several months, and new orders in many instances continue to exceed current deliveries.

If additional output resulting from the coming into production of new defense plants this summer and fall, plus additional orders to result from passage of the lease-lend bill, were added to the current level of production without being offset by other factors the rise of activity in the last half of this year and the first part of 1942 could be as spectacular as that which occurred in 1940. There will be, however, two important offsetting factors.

The first of these factors is the present near-capacity operation of many plants producing machinery, armaments, and materials. New orders arising from increased aid to Britain will merely add to the already large backlogs of orders except to the extent that capacity can be increased or present plants more fully utilized. Additional plant capacity which will become available during the next year will not be sufficient to have a marked effect upon total industrial activity, since the output of such plants will to some extent merely replace the activity involved in their construction. The building of any new plants to provide goods under the lease-lend program would bring into use some construction facilities not now fully utilized and thus add to the level of activity. Further development of subcontracting and an increase in the number of working hours or shifts at which plants are operated seem to offer a more important opportunity for increased output, but local shortages of skilled labor and other difficulties may prevent as much development along these lines as an off-hand appraisal of the situation might indicate. Inevitably, a part of any very large increase in the production of defense equipment would mean interference with the production of some civilian goods, partly because sufficient time is not available to permit the careful planning necessary for really complete utilization of industrial equipment.

The second possible offsetting influence to increased defense expenditures is the gradually changing inventory situation. Following the outbreak of war in September 1939 many business men started to increase inventories, partly in fear of wartime price inflation and possible difficulties in later obtaining deliveries, and partly because larger inventories were needed as business increased. The development of our own defense program in 1940 greatly accelerated this trend. An unknown but undoubtedly quite large part of unfilled orders now on the books of producers of materials such as copper and steel is for protection against future shortages rather than for immediate needs. As a result, industrial production has advanced much more rapidly and to a much higher level than would have been the case if the production of materials had merely kept pace with the output of finished goods.

As explained in detail in a previous issue of this report, measures of industrial inventory changes are far from being complete and accurate. Under present conditions, also, some buyers may be reluctant to disclose the true situation with respect to stocks on hand because of their desire to place additional orders on the books of suppliers. Consequently, it may be desirable to consider other evidence relating to the balance or lack of balance among the production of finished and semifinished goods and raw materials, and among sales, unfilled orders, and inventories.

The chart on the inside of the cover page may throw some light on these conditions. Section A is based upon a regrouping of component items in the index of industrial production of the Federal Reserve Bank of New York, with some adjustments made by use of material from other sources. It shows the production of finished goods including automobiles, finished goods excluding automobiles, and all other industrial goods included in the index. The latter, or the unfinished goods, represent about one third of the total weights in the index, and consist of unfinished products such as metals. The finished goods production includes building construction and other finished producers' goods (trucks, etc.) as well as finished consumers' goods.

It will be noticed that after the outbreak of war the production of unfinished goods relative to that of finished advanced rapidly, and has since held at a considerably higher level despite sharp short-time changes and an upward trend in both lines of production. The important part played by automobiles in the increased industrial output of the past 6 months is indicated by a comparison of the two lines representing production of finished goods. A part of the heavy output of automobiles, as well as of the production of unfinished goods, is due to forward buying in fear of later shortages or price increases.

Section B shows the ratio of production of unfinished to finished goods in comparison with the Department of Commerce index of value of manufacturers' inventories and the Federal Reserve index of industrial production. Although none of these indications can be accepted as conclusive, this chart offers further evidence that no small part of the rise of industrial activity since the war began has consisted of forward buying to protect against possible shortages and higher prices. 1/

In times of peace such shifts in the balance between the production of materials and finished goods together with the other conditions noted would be taken as a danger signal. Under wartime conditions, however, there appears to be no reason for expecting any sudden change in the inventory policies of business men, and consequently no liquidation except that necessitated by inability to get deliveries of replacements. A point finally is reached in the increase of inventories where further rises meet greater resistance. It seems probable, therefore, that by the time the lease-lend program is fully developed and new defense plants are brought into operation in large numbers the activity thus generated will to some extent serve merely to replace previous activity arising out of the inventory accumulations.

Taking the two principal considerations noted above into account, it seems unlikely that industrial production will rise as much from now on as prospective increases in defense spending and exports of armaments might otherwise indicate.

1/ There is some discrepancy between the movements of the top line in this section and changes in manufacturers' inventories of semifinished goods as measured by the National Industrial Conference Board indexes, which indicate about a 20 percent decrease since August 1939.

In February actual defense expenditures were at the rate of more than 21 million dollars per day, or nearly 8 billion dollars per year. These expenditures were 15 percent above the daily rate in the preceding month, and nearly 3 times those of last September. Some idea of the relative size of direct defense expenditures in the business picture may be gained from the following comparison. For the year 1940 defense expenditures were about 6 percent as large as total estimated retail sales, and for 1941 as a whole they probably will be 20 percent. Since defense buying is not at retail prices a better comparison would ordinarily be made with net value of factory output, which usually is less than the value of retail trade. In 1941, however, the portion of goods which will not get into retail channels is expected to be considerably larger than usual and the net value of factory output may be as large as that of retail sales. Thus, the 20 percent figure may be regarded as a rough measure of the size of expected defense expenditures in 1941 in relation to the net value of factory production as well as to the value of retail sales. The average monthly increase in defense expenditures in the third quarter of 1940 was 22 per cent as large as the estimated increase in manufacturers' inventories, in the fourth quarter it was 34 percent as large, and in January 1941 the increase in defense expenditures was 70 percent as large as the increase in manufacturers' inventories. This is additional evidence that defense activity is replacing inventory accumulation as a factor in the industrial situation.

Unemployment had continued to decrease, as shown by the cover page chart, which gives estimated unemployment by months from January 1939 through January 1941 and tentative estimates of the probable trend through the remainder of the present year. These estimates make use of preliminary census data for March 1940, at which time 5.1 million are reported as having no jobs at all and 2.9 million were working at W.P.A., C.C.C., and National Youth out-of-school jobs. In March 1941 it is estimated that there are about 2.9 million without jobs of any kind and about 2.4 million emergency workers--a total of 5.3 million compared with 8.0 million a year earlier. By late 1941 it is expected that there will be not more than 2 million emergency workers and that only about 1 million will be without any form of private or public employment.

Such increases in employment and consumer income have a decided influence on consumer demand for farm products. The effect on farm income of the improvement in consumer demand is already clearly discernible in numerous commodities such as dairy products, meat animals, and truck crops. Continued gradual improvement in the domestic consumer demand for farm products is expected.

EXPORT DEMAND

No material changes in the export demand situation have occurred during the past month except for those connected with the lease-lend act, and no definite information on these is available as yet.

Possible changes in the ability of Great Britain to obtain farm products from the United States may later affect the demand for a number of commodities, including pork and lard, canned milk, butter and cheese, beef, and fruits and vegetables. These are the products of which Britain is in greatest need. It

would require quite marked increases in exports of most of these commodities to affect appreciably the total demand and domestic price situations for them.

Of these commodities, pork and lard are normally among the important agricultural exports commodities of the United States, although exports in recent years have been small. Milk product exports, which are not ordinarily of much importance, increased substantially after continental European sources of supply were cut off by the war. Exports of citrus fruits have not been greatly affected by the war but deciduous fruit exports (fresh, canned, and dried) have been drastically reduced. Dried bean and rice exports were increased as a result of war and continue large, but canned vegetable exports, after having experienced a considerable rise soon after the war in Europe started, have for several months been less than before the war began.

Great Britain's need of foods not ordinarily exported from the United States in large quantities is greater than for those products of which the largest surpluses exist in the United States, and increased exports of which are most important for our domestic economy. Although British stocks of raw cotton probably now are small in relation to the recent rate of mill activity, proposed further restrictions on domestic consumption of cotton products will reduce requirements. Canada still is obtaining appreciable quantities of cotton from Brazil. British needs for American wheat are conditioned by the availability of large surpluses in Canada and other countries which will continue to look to Great Britain for a market. Great Britain could use considerable quantities of feedstuffs, but shortage of shipping space will limit imports. Tobacco is not being exported in the usual volume, but with present British stocks no doubt greatly reduced easing of the dollar exchange situation might be followed by increased exports.

January exports of domestic agricultural products were valued at 22 million dollars, compared with 97 million a year earlier when such exports were at the peak since the start of war in Europe. Compared with cash farm income from marketings, the value of exports was 3.3 percent as large in January 1941 and 15.8 percent in January 1940.

WHOLESALE PRICES

The rise in wholesale commodity prices was halted early in February, and the monthly and weekly price indexes of the Bureau of Labor Statistics for that month averaged about the same as in January. These broad measures of price movements are not expected to change much in the near future, but the more sensitive daily Bureau of Labor Statistics index of prices of 28 basic commodities resumed its rise about the middle of February, and continued moderate increases in the general level of commodity prices are expected.

Prices of import commodities, foods, and industrial raw materials have been especially strong during the past month. In fact, the domestic agricultural products group is the only one in the daily basic commodity index which has not risen considerably since mid-February. Meat animal prices have reacted from the sharp rise in earlier months, and egg and milk prices have declined seasonally. But wheat and cotton prices recently have risen in response to speculation concerning possible legislative changes.

At present the opposing forces in the commodity price situation are fairly clearly defined. Rising demand associated with defense activities and an upward tendency in wage costs are favorable to higher prices, but pressure from defense authorities to prevent undue rises in prices of industrial commodities and ample supplies of farm products are restraining influences. The result to date has been a gradual rather than a steep rise in the general level of wholesale prices of domestic commodities. The lack of ocean shipping space and gravity of international developments are important influences in the rise of import commodity prices, particularly those from the Far East.

Pressure on existing productive facilities for speeding up output of defense products, and on building operations in creating new productive capacity and living quarters for defense workers, will be even greater than at present when British orders are placed in larger volume, and the difficulty of maintaining order in wholesale markets will be further increased. Consequently, further strength in prices is anticipated.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers declined in March for the second consecutive month according to estimates based on price changes in wholesale markets. However, the decline from February to March this year is expected to be smaller than that of last year.

Preliminary estimates of the February to March changes in prices received indicate a substantial advance in bread grains (particularly wheat), and smaller gains in the cotton and fruit groups and in potatoes. However, price declines, which are in part seasonal, are indicated for such important groups as dairy, poultry, and meat animals.

Prices received by farmers declined from 104 to 103 percent of the 1910-14 average in February, this being the first setback since June 1940. Although there apparently was a further decline in March, the longer-time trend of farm product prices is upward. The ratio of prices received to prices paid by farmers in February was 84 percent of the 1910-14 average, down 1 point from January but 1 point higher than in February 1940.

FARM INCOME

Cash farm income declined slightly more than usual from January to February because of the greater-than-usual seasonal decline in marketings of cattle and the smaller amount of corn placed under loan. Preliminary indications are that income from farm marketings in February was not greatly different from that in February 1940. Government payments during February were 82 million dollars compared with 87 in January and 98 million in February last year, so that cash farm income including Government payments in February was slightly less than that of a year earlier.

Income from meat animals in February was substantially larger than in February 1940, but because of a greater-than-usual seasonal decline in the marketings of cattle and some decline in the marketings of all meat animals the decline in income from January to February was larger than usual. Income from dairy products made about the usual seasonal change from February and was

slightly higher than in February last year, but income from poultry and eggs declined more than seasonally and was lower than in February 1940. Income from crops in February was somewhat less than in February last year, largely as a result of the marked drop in income from corn. Income from the remaining crops was not greatly different from that in February 1940.

Present indications as to prices and marketings of farm products during March are that farm income will make about the usual seasonal change from February. It is expected to be higher than in March last year. In 1940 the seasonally adjusted index of income from farm marketings declined from 84 percent of the 1924-27 average in February to 76 percent in March. Government payments in March will probably be smaller than in February and about the same as the 67 million dollars paid to farmers in March 1940.

COTTON

The average spot price of Middling 15/16-inch cotton in the 10 markets advanced about 2/3 cent from mid-February to March 14, the price on the latter date averaging 10.63 cents. Since the last week of February, domestic spot prices have held above the previous high for the season (10.24 cents) recorded on August 1. Prices of futures contracts at New York have made material net gains during the past few weeks. From mid-February to mid-March new-crop delivery advanced about 1 cent per pound and old-crop contracts made gains of from 1/2 to 2/3 cent. Trade reports credit much of the rise in cotton prices, particularly than in new crop futures, to the possibility that legislation, which would tend to support cotton prices at a considerably higher level, might be enacted. The price is also supported somewhat by further improvement in the domestic cotton textile situation.

Cotton consumption in February totaled 794,000 bales, but with fewer working days consumption was considerably below the January level. It was more than 125,000 bales larger than in any previous February. The seasonally adjusted index of cotton consumption gained 4 points in February to 142 percent of the 1935-39 average compared with 115 a year ago and at 794,000 bales was 125,000 bales larger than for any previous February. Despite the high level of consumption, manufacturers' sales of unfinished cotton cloth have averaged above production in recent weeks. Consequently, unfilled orders are now thought to be exceptionally large, and sufficient to insure a high level of activity for the remainder of the season and to result in a record consumption this season of about 9 million bales. It is reported that many cotton textile distributors who formerly considered their orders sufficient to cover prospective needs have increased their sales in recent weeks to such an extent that additional orders are deemed desirable. Factors reportedly contributing to increased cotton textile sales are anticipated increases in labor costs and the previously mentioned possibility that legislation, which would raise the cost of raw cotton, might be enacted.

British cotton mill activity has recently been reduced to an equivalent of about 55 percent of full-time one-shift capacity from the former level of 80 percent. This is apparently due to Government restrictions on domestic British civilian consumption (to about one-fifth of the pre-war level) in order to release labor and power for use in the munitions plants and reduce the demands of the cotton industry for shipping space and foreign

exchange. The official British exporting organization, British Overseas Cotton, Ltd., continuing its efforts to encourage cotton textile exports, has recently concluded a sale of 10 million square yards of cotton cloth to Java, equivalent to about 5,000 bales of raw cotton.

Cotton consumption in Canada and India continues at record or near-record levels. In Japan and the rest of the Orient, as in continental Europe, consumption is unusually low.

Exports during February totaled 61,000 bales (compared with 52,000 bales in January and 747,000 bales in February 1940). Canada, the largest customer, took 18,000 bales; of the remainder Great Britain took 13,000 bales, Japan 10,000, China 3,000, and all others 12,000 bales. Total exports of 725,000 bales for the 7 months ended February were only 15 percent of the 4,917,000 bales exported during the corresponding period last season.

For the entire season it is possible that exports may not exceed 1 million bales. There are several factors, however, arising out of the present European and Asiatic wars, which might alter this estimate considerably one way or the other.

WHEAT

During the past month domestic wheat prices have advanced about 8 cents per bushel to near the high point of the season to date. The May future at Chicago on March 15 closed at 87 cents, only a fractional cent below the high reached last December. This advance, which followed a downward trend lasting about 6 weeks, was in part influenced by the possibility that new legislation might be enacted which would increase loan rates on the new crop wheat, and in part by strength in securities.

Wheat prices are now again at a point where many producers can redeem their loan stocks, winter wheat prices being about 8 cents above the loan, which is adequate to take care of costs. The Commodity Credit Corporation reports that up to now they have taken delivery on less than a million bushels in satisfaction of loans.

The amount that current prices are now above the export price levels is indicated by the export indemnity which would be required to export wheat to Europe. Computed on the basis of export values, this would be about 25 cents from the Gulf and 22 cents from Pacific ports, compared with about 21 cents a month ago. Prices of domestic spring wheat at Buffalo are about 16 cents lower than those of Canadian wheat of a comparable quality, c.i.f., duty paid at Buffalo.

There are a number of factors which could influence prices in the next few months. Important developments in the foreign political situation and changes in crop prospects could affect the market either favorably or unfavorably. The fact that the Government stands ready to take delivery of loan wheat will continue to place a floor under prices. While every effort is being made to guard against market congestion in any redistribution of loan wheat before the new crop comes to market or in connection with the marketing of the new crop, the development of congestion at localized points

could tend to offset the influence of the loan program in certain areas. Indications of a fairly definite nature that loans on the new crop will be increased would raise prices of old crop wheat.

FATS, OILS, AND OILSEEDS

Lard prices, after declining during most of 1940, advanced sharply in January and February this year. In the latter month the average price of prime steam lard at Chicago was about 2 cents per pound or 41 percent higher than in December, but was only slightly higher than in February last year. Lard production has declined considerably with reduced hog marketings during the past 3 months, and is expected to continue substantially smaller than a year earlier throughout 1941.

The price of sardine oil also advanced fairly sharply in January and February in response to reduced output and to a strong demand for vitamin oils. Prices of other fats and oils have not changed greatly in recent months. The general level of prices for fats and oils in February, at 63 percent of the 1924-29 average, was 1 point higher than a month earlier and 1 point higher than a year earlier. The domestic demand for fats is now stronger than it was a year ago and is expected to improve further this year. But the effective foreign demand is weaker than at this time last year because of the blockade of most of continental Europe.

Rising costs for ocean shipments since January 1 have been reflected in higher prices for coconut oil and copra. A shortage of shipping space for coconut oil exists as a result of the withdrawal of some British vessels equipped with deep-cargo tanks from the Philippine-United States run. Imports of coconut oil in January were about 30 percent below the average monthly rate maintained in 1940. Difficulties in obtaining shipments from abroad also have resulted in reduced imports of olive oil and tung oil.

Production and consumption of margarine were moderately larger in 1940 than in 1939, and prices were slightly higher. Higher prices for butter were chiefly responsible for the improved demand for margarine. Nearly 80 percent of the fats used in margarine in 1940 consisted of cottonseed and soybean oils. Imported oils accounted for 11 percent of the total compared with 75 percent in 1933. Taxes imposed on imported oils and on margarine containing such oils, together with increased domestic output of soybean oil, have been the factors primarily responsible for the marked increase in the use of domestic vegetable oils at the expense of imported oils during the past few years.

CORN AND OTHER FEED GRAINS

Supplies of all types of feed are large and, relative to the number of livestock to be fed, are considerably larger than they were a year ago. The number of grain-consuming animal units on farms January 1 was about 4 percent smaller than on that date last year, whereas total feed supplies are considerably larger. On January 1 total corn stocks were 2 percent smaller than a year earlier, but by April 1 stocks may be about the same as on April 1 last year. Disappearance of corn during the remainder of the marketing year probably will be somewhat less than for the corresponding period of 1940.

The quantity of 1940 corn sealed up to March 1 was estimated to be considerably less than one half the 220 million bushels sealed to that date last year, an indication that the total quantity of corn sealed or held by the Government on April 1 may be smaller than on that date last year.

Prices of corn and other feed grains were practically unchanged during the past month. Present stability in the corn market reflects the 61-cent loan available on corn, together with the policy of the Commodity Credit Corporation to make available for sale all Government-held corn at 65 to 69 cents per bushel. Prices of oats and barley may be influenced somewhat by changes in the prospect for the 1941 crops during the next few months, but the corn loan and the large stocks of feed will continue to be important factors. Prices of byproduct feeds generally two to six dollars per ton below prices at this time last year reflect larger supplies.

HOGS

The total number of hogs on farms January 1, 1941 was 53 million head, 12 percent less than the number a year earlier. On the basis of this decrease in hog numbers, slaughter supplies of hogs during the remainder of the 1940-41 marketing year (through September) are expected to total around 15 percent smaller than in the corresponding period a year earlier. This is a slight increase over earlier estimates of hog slaughter in the last half of the marketing year. Indications still are that the 1941 spring pig crop will be substantially smaller than that of 1940. But with the hog-corn price ratio likely to continue favorable for hog production for some time, this year's fall pig crop probably will be larger than that of 1940. The increase will not be reflected in larger marketings before the spring of 1942, however.

Hog prices have followed a downward trend for the past 6 or 7 weeks--since the peak reached on January 15. The decline has not been great, however, and hog prices are still well above the level which prevailed last fall. The average price of butcher hogs at Chicago for the week ended March 8 was \$7.65, about 60 cents under mid-January, but \$1.50 above the early December level, and \$2.45 above the corresponding week of 1940. If domestic demand conditions continue to improve in 1941 as is expected, hog prices probably will advance to higher levels before the end of the marketing year. The hog-corn price ratio, based upon the average price of all hogs and of No. 5 Yellow corn at Chicago, for the week ended March 8 was 12.1 compared with 8.8 a year earlier and the long-time average of 11.6. Wholesale prices of pork products and of live hogs are now around 45 to 52 percent higher than a year earlier, but lard prices are only slightly higher than in early March last year.

The weekly rate of hog marketings has decreased seasonally during the past 2 months. Slaughter of hogs under Federal inspection during February totaled 3,725,000 head, about 18 percent less than in January and 13 percent less than in February last year. A part of the decrease from the preceding month was due to the fewer number of market days in February than in January. Average weights of hogs marketed in February were seasonally heavier than in January and a little heavier than in February last year.

CATTLE

Barring the recurrence of severe droughts, the upward trend in cattle numbers which began in 1938 is expected to continue 2 or 3 more years. The increase in cattle and calves on farms and ranches during 1940 amounted to 2.9 million head. Slaughter of cattle and calves in 1940 was a little larger than in 1939. Increases in cattle slaughter are now taking place at the same time that numbers on farms are being increased further, and slaughter supplies of cattle and calves in 1941 probably will be larger than those of last year.

The extent to which slaughter will exceed that of 1940 will depend chiefly upon how large a number of breeding-stock producers hold back for herd-building purposes. The total number of cattle on farms is still 2.6 million head less than in 1934, but the number of cattle in most States is now larger than in that year. The region extending from Montana and North Dakota south to New Mexico and Texas is the only important area where cattle numbers are still below the 1934 level.

Prices of slaughter cattle have declined steadily since mid-January, despite a moderate reduction in the weekly rate of marketings. Prices are still well above the level which prevailed in early 1940, however. The decline has been more pronounced for the upper than the lower grades of slaughter cattle, and the price spread between grades is now only a little wider than it was a year ago. Prices of the lower grades ordinarily advance relative to prices of well-finished cattle in the spring and early summer. The average price of good-grade beef steers at Chicago for the week ended March 8 was \$11.10, compared with \$12.55 in mid-January and \$9.95 in the corresponding week of 1940.

Prices of feeder cattle have held about steady in recent weeks, despite the downward trend in prices of fat cattle. The average price of feeder steers at Kansas City for the week ended March 8 was \$9.85, slightly lower than a month earlier but nearly \$1.00 higher than in early March last year.

Marketings of slaughter cattle decreased a little more than the usual seasonal amount in February. Slaughter of cattle under Federal inspection during the month totaled 717,000 head, 19 percent smaller than in January but slightly larger than in February last year. Inspected calf slaughter totaling 384,000 head in February also was smaller than in January but a little larger than in February 1940.

LAMBS

The early lamb crop is somewhat larger this spring than last. Weather conditions have been exceptionally favorable for lambing and for the growth of spring feed. Early lambs are expected to develop rapidly, and the number marketed before July 1 probably will be larger this year than last. In California the early crop is only a little larger this year than last, and in Arizona the early crop is reported to be about the same as that of last year. Marketings of early lambs from California and Arizona are expected to be later this spring than last.

The number of stock sheep on farms and ranches on January 1 totaled 49.7 million head, nearly 1 million more than a year earlier and the largest number since 1884. Approximately half (492,000 head) of the increase during 1940 was in Texas. Numbers increased 259,000 head in the remaining Western sheep States and 212,000 head in the native sheep States during the year. Sheep production has increased greatly in Texas during the past 25 years.

Marketings of sheep and lambs decreased seasonally in February. Slaughter under Federal inspection during the month totaled 1,391,000 head, about 14 percent less than in January but slightly more than in February last year. Slaughter of sheep and lambs in January and February totaled only a little larger than a year earlier, despite the 6 percent more sheep and lambs on feed January 1 this year than last. The number of sheep and lambs remaining on feed in the Colorado and western Nebraska feeding areas on March 1 was a little smaller than a year earlier, but the supply of fed lambs remaining for market in all areas probably is as large as in early March last year. Marketings of grass fat yearlings from Texas are expected to be a little larger this spring than last.

Prices of sheep and lambs advanced throughout most of February, despite the downward trend in prices of other livestock. Lamb prices weakened a little in early March, but most of the February advance was maintained. The average price of good and choice grade slaughter lambs at Chicago for the week ended March 8 was \$10.80, compared with \$10.30 a month earlier and \$10.25 in the corresponding week of 1940. Prices of slaughter ewes and yearling wethers at Chicago in early March were around 60 cents higher than a year earlier.

WOOL

Interest in the domestic wool market has shifted to the Western States where contracting of the 1941 clip has begun in volume. Prices of new clip wool are considerably higher than in the early months of the 1940 wool marketing season. With domestic demand and supply conditions favorable for the marketing of the new clip, farmers probably will receive a larger income from wool this year than last. The 1940 farm income from shorn wool was about 30 percent greater than in 1939 and it was larger than in most recent years.

Mill consumption of apparel wool in January, though slightly smaller than the record consumption in December, was the largest January consumption on record. Army orders now held by mills call for the delivery of large quantities of wool cloth in the first half of 1941, and recent proposals for bids indicate that mill consumption for military uses will be large in the second half of the year also. With further increases in consumer incomes and retail sales also in prospect total consumption in 1941 is expected to be materially larger than in 1940.

Imports of apparel wool in recent months have been larger than at any time since 1923. But mill consumption also has been large and the carry-over of wool in this country into the 1941 season which begins about April 1 probably will be small.

Total supplies of wool in foreign countries available for shipment to the United States are still relatively large. Since last May, shipments of wool to continental European countries have been largely cut off by the British blockade, leaving the United States, Great Britain, and Japan as the only important markets for exports from the Southern Hemisphere. More than 80 percent of the shipments from Argentina and Uruguay in the first 4 months (October-January) of the current season were to the United States. The availability of this wool to the United States, of course, is dependent upon the maintenance of adequate shipping facilities.

Production of wool in the five principal producing countries of the Southern Hemisphere in the 1940-41 season, totaling 2,104 million pounds, is estimated to be about 4 percent smaller than in the previous season, but about 4 percent larger than the average for the 5 years 1934-38. The 1940 production of wool in the United States, both shorn and pulled, totaled 449,763,000 pounds and was the largest on record.

DAIRY PRODUCTS

Butter prices have changed relatively little since mid-January when the Surplus Marketing Administration started to purchase butter. Although butter prices in February and early March were decidedly lower than the peak in December, they were higher than in the same period of 1940. Some further seasonal decline in prices is in prospect before the peak of production is reached in June, but during the coming summer prices probably will average somewhat higher than in the summer of 1940. Improved consumer demand, a good storage demand, and the probability of larger exports of manufactured dairy products are expected to more than offset the effects of higher production on prices.

Butter production in January was 6 percent larger than in January 1940 and a new high for the month. With more cows on farms than a year ago and ample supplies of feed, total milk production and butter production are expected to continue unusually large during the remainder of the feeding period. Production during the coming summer also is expected to be large unless curtailed by unfavorable weather.

Apparent consumption of creamery butter in January was less than in January 1940, but retail prices were higher. Apparently there was little change in consumer expenditures for butter. With the improvement in consumer incomes that has occurred in the past year, consumer expenditures for butter in 1941 are expected to be considerably higher than in 1940.

The 1940-41 season was a fairly favorable one for storage operations, and a good storage demand appears in prospect for the coming summer.

It seems probable that our exports of dairy products in 1941 will greatly exceed those of 1940. In 1940 the bulk of these exports occurred in the months from June to October, but the purchasing of these products came earlier, largely during the season of flush production.

POULTRY AND EGGS

Egg production this spring and coming summer is now expected to be about the same as a year earlier. The number of layers on farms is 2 percent smaller this year than last, but egg production per layer is continuing to exceed previous records partly because of the favorable weather and perhaps partly because of relatively lower prices for high protein feeds. Into-storage movements for both shell and frozen eggs began in early March, and storage stocks will be built up until about August 1. Storage demand is expected to be stronger this season than last.

Wholesale egg prices declined sharply after the middle of February but more recently have continued steady at about a cent below the level of prices for the first half of February and are about the same now as a year ago. With the seasonal decline in egg prices coming earlier now than in former years, the decline from mid-February to mid-March has been reduced. Primarily because of the stronger consumer demand this year than last, egg prices for 1941 are expected to average higher than in 1940.

Receipts of live poultry at primary markets in the middle West and receipts of dressed poultry at principal markets are continuing smaller than a year earlier. Reflecting these smaller farm marketings of live poultry and continued heavy consumption of poultry meat, the net out-of-storage movement of frozen poultry has been larger than a year earlier. Average prices received by farmers for chickens and turkeys in February were 1 to 2 cents higher than in February 1940 and are expected to average higher this year than last, primarily because of the stronger consumer demand.

Because of the more favorable feed-egg ratio now as compared to a year earlier and the fact that an increase in the hatch usually follows a decline, more chickens are expected to be raised this year than last. The number of chickens raised usually has followed a fairly regular three-year cycle - increasing two years, following a decline. Farmers' spring intentions indicate that 9 percent more chicks will be purchased in 1941 than in 1940 but that 3 percent fewer turkey poults will be bought and home hatched in 1941 than in 1940. Thus with normal weather this year the death loss may be smaller this year and the number of turkeys produced may be about the same as in 1940. The severe storm last November is estimated to have killed about 3 percent of the turkeys being raised in 1940.

POTATOES

Marketings of the relatively large supplies of old stock potatoes are going forward at about a normal rate, and market prices have shown little variation in recent weeks. The carlot movement of the new crop from south Florida has been heavier than a year earlier, reflecting the increased production this season, and has resulted in substantially lower prices than those of early 1940.

Up to March 5 applications for the diversion to livestock feed had been received for about 4.1 million bushels of 1940 late potatoes in the Western States. A total diversion of 12.5 million bushels is authorized

for livestock feed. In Maine a total diversion of 4.5 million bushels to the manufacture of starch has been reported. These actions are designed to remove surplus stocks from the regular market in order to improve market prices. Thus far, however, the quantities diverted have not been large enough to have any appreciable effect on market prices.

Plantings of potatoes in the first section of early States total 24,000 acres this season, or about 10 percent more than was planted in 1940. Growers in the second section of early States indicate intentions to increase plantings this season by 5 percent, while those in the second early group indicate only a slight increase. Because of the introduction of higher yielding varieties in some of these areas in recent years, average yields per acre have been rising. It is probable, therefore, that production may be increased more this season than the acreage change would indicate. The market supply of potatoes during the spring months is expected to be larger than a year earlier.

TRUCK CROPS

Continued heavy rains during February seriously interfered with harvesting and marketing of winter truck crops produced in the South and in California, and resulted in decreased market supplies. Although the acreage of most crops has been increased this season, yields have been low and the quality poor. Frosts in early March nipped tender vegetables as far south as the Florida Everglades, and a continued shortage of market supplies of some kinds is likely for another month or 6 weeks.

Because of the smaller than normal production this season, market prices of truck crops generally have held to higher levels than expected earlier in the season. However, the general level of market prices in early March is somewhat below that of a year earlier when supplies were very short as a result of the freeze. Prices in recent weeks declined slightly except for a few commodities such as snap beans, cabbage, cauliflower, celery, and onions, which advanced. In many respects market conditions in the current season are much like those of early 1940 when unfavorable growing conditions curtailed market supplies until late June. A few weeks of sunshine this season, however, would result in greatly increased supplies and prices would decline.

Present prospects indicate that the acreages to be planted to truck crops for processing will be increased materially this year. Because of heavy shipments of canned vegetables in the current marketing season, carry-overs into the 1941 season probably will be smaller than usual. This situation, together with the expected further increases in demand, is largely responsible for the prospective increase in plantings.

FRUITS

Cold storage holdings of apples on March 1 were 2.4 million bushels greater than a year earlier. The actual out-of-storage movement in February this year was 300 thousand bushels greater than in the corresponding month a year earlier. Purchases of apples for relief distribution in

February were approximately the same as in February 1940. Since exports in February were roughly 100,000 bushels less than in February 1940, domestic consumption through regular trade channels was about 400 thousand bushels greater.

Auction prices of Extra Fancy Washington Delicious apples at New York increased seasonally from January through February, and prices of Extra Fancy Oregon Yellow Newtowns decreased contraseasonally. Auction and wholesale prices of apples are holding up well, despite large cold storage holdings.

The March 1 estimate of total 1940-41 (Sept. to Aug.) orange and grapefruit production was 4.8 million tons compared with 4.3 million tons in 1939-40. Orange production was estimated to be 9 percent larger this year than last, and grapefruit production 14 percent larger.

Auction prices of California oranges at New York continue above those of last year. Prices of Florida oranges have been below those of last year since the middle of February. Last year Florida orange prices rose sharply from the middle of January to the middle of February as a result of severe freeze damage in Florida and Texas. Normally, prices of Florida oranges increase from the middle of March through May. Prices of Florida grapefruit have been below those of last year from the beginning of the season to date.

ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUS- TRIAL PRO- DUCTION ¹	CON- STRUC- TION CON- TRACTS ¹ AWARDED	FACTORY EMPLOY- MENT ²	FAC- TORY PAY- ROLLS ²	INCOME OF IN- DUSTRIAL WORKERS ³	VOLUME OF AGRI- CULTURAL EXPORTS ⁴	WHOLE- SALE PRICES OF ALL COMMOD- ITIES ⁵	RETAIL FOOD PRICES ⁶	PRICES RE- CEIVED BY FARMERS ⁷	PRICES PAID BY FARM- ERS	RATIO OF PRICES RECEIVED TO PRICES PAID	FAIR TRADE INDEX ⁸
Base Period	1935-39	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1910-14
1929	110	117	106	110	107	107	139	166	146	153	95	101
1930	91	92	92	89	88	82	126	158	126	145	87	83
1931	75	63	78	68	67	88	107	130	87	124	70	84
1932	58	28	66	47	46	94	95	108	65	107	61	85
1933	69	25	73	50	48	85	96	105	70	109	64	86
1934	75	32	86	64	61	66	109	117	90	123	73	87
1935	87	37	91	74	69	61	117	126	108	125	86	88
1936	103	55	99	86	80	55	118	127	114	124	92	89
1937	113	59	109	102	94	65	126	132	121	130	93	90
1938	88	64	91	78	73	75	115	122	95	122	78	91
1939	108	72	100	92	83	65	113	119	93	121	77	92
1940 ⁹	122	82	108	105	94	50	115	121	98	123	80	93
1940-												
Jan.	122	75	108	104	93	105	116	119	99	122	81	94
Feb.	116	63	106	99	89	104	115	121	101	122	83	95
Mar.	113	62	104	97	87	68	114	120	97	123	79	96
Apr.	111	64	103	96	86	61	115	120	98	123	80	97
May	115	64	103	97	87	47	114	121	98	123	80	98
June	121	74	104	99	89	44	113	123	95	123	77	99
July	121	85	105	102	91	47	113	122	95	122	78	100
Aug.	121	90	107	106	95	32	113	121	96	122	79	101
Sept.	125	93	109	111	98	22	114	122	97	122	80	102
Oct.	129	95	111	114	100	27	115	120	99	122	81	103
Nov.	132	111	114	118	103	22	116	120	99	122	81	104
Dec.	138	115	117	123	107	20	117	122	101	123	82	105
1941												
Jan.	139	102	118	125	109	17	118	122	104	123	85	106
Feb. ⁹	139						118	123	103	123	83	107

¹Federal Reserve Board, adjusted for seasonal variation. Industrial production revised August 1940²Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve Board, Bureau of Agricultural Economics). Revised January 1941.³Adjusted for seasonal variation. Includes factory, railroad, and mining employees⁴Foreign Agricultural Relations, July 1909 - June 1914 = 100, adjusted for seasonal variation.⁵Bureau of Labor Statistics, 1926 = 100, converted to 1910 - 14 = 100.⁶Bureau of Labor Statistics, 1935 - 39 = 100, converted to 1913 = 100. Revised series beginning 1934⁷August 1909 - July 1914 = 100.⁸Adjusted for seasonal variation. Revised March 1940.⁹Preliminary.

Note: In comparing trends between industrial production and industrial workers' income as indicated by the index numbers, notice should be taken of the different base periods used, and of the fact that in the index of industrial workers, as well as incomes of mining and factory workers, is included in the index of industrial production, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. Another point of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and workers' income.